

The COVID-19 pandemic and social policy narratives in Costa Rica: the story of a (fleeting) opportunity

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Abstract

Did the coronavirus disease (COVID-19) pandemic embolden ideas favourable to inclusive social policy in Latin America? This article addresses that question by examining the emergency cash transfer programme that was implemented in Costa Rica in 2020. Drawing on legislative debates and interviews with senior officials and analysts, the study reveals the fleeting emergence of ideas in favour of expanding non-contributory social protection. The new programme was quickly reined in by a discourse that assimilated fiscal responsibility to cutting social spending rather than expanding revenues. Avoiding simplistic generalizations, the findings invite a contextualized analysis of the impact of the pandemic on specific policy-making processes, and a consideration of the role of ideas in social policy debates. If there is a risk to inclusive social policy, it is the dominant discourse of austerity.

Keywords

COVID-19, viruses, epidemics, social aspects, social policy, fiscal policy, public expenditures, social security, income, Costa Rica

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I. Introduction

Cash transfers to ensure that people could continue to meet their basic needs were one of the emergency measures adopted most widely in the first half of 2020. Throughout Latin America, programmes were launched that were remarkable in terms of their speed of implementation, the justification of the beneficiaries, and the initial fiscal effort in contexts that were not noted for their generosity in terms of social protection (Blofield, Giambruno, and Pribble, 2022).

It was largely through such measures that the COVID-19 pandemic introduced the notion of “crisis as opportunity” into the public policy debate. This appealed, in particular, to the possibility of developing a new narrative around the need for, and desirability of, greater and better social protection. Although the claim that the pandemic represented a historic opportunity gained broad support, the new ideas need to be analysed in political economy terms, in the context of actual policy processes.

An earlier paper (Martínez Franzoni and Sánchez-Ancochea, 2022) considered whether the crisis was indeed an opportunity, by studying the scope of transfer programmes in Central America, taking into account the combination of actors, policy instruments and narratives in each case. These variables are also present in an extensive literature on institutional conditions and power relations in public policy. In contrast, the present article explores the role of ideas as a fundamental channel for promoting changes in the way reality is perceived in the aftermath of a profound crisis.

Costa Rica is an ideal case for examining whether the crisis generated by COVID-19 created narrative opportunities. The country has robust social policies, solid institutions and a legacy on which to base pro-equality ideas; nonetheless, at the onset of the pandemic, it was faced with a significant deficit in the social protection of its large informal labour force, along with other indicators that reflect the erosion of Costa Rica’s historical exceptionalism in human development.

This article describes how the problem surrounding emergency cash transfers in 2020 was constructed; and it analyses whether this construction was conducive to inclusive social policies in the long run. This approach makes it possible to move from a general and abstract consideration of the opportunities created by the pandemic shock to a more substantive discussion grounded in specific political processes and programmes.

The study focuses on the role of ideas about who is entitled to benefits and what the State’s obligations are, but also on tax and other fiscal constraints. Empirical evidence shows that the pandemic in Costa Rica generated new ways of thinking that could be useful for addressing social policy deficits. However, austerity as the dominant narrative undermined any consideration of scenarios involving wider State intervention. While recognizing that it is difficult to draw general conclusions from the analysis of a single case, the study shows how the austerity discourse is threatening the future of Latin America just when it seemed to be on the decline in much of the Global North.

The analysis reconstructs narratives and interpretive frameworks at different moments in the public policy formation process. In the case of narratives, a distinction is made between problems and solutions. The problems spawn entities that are identified as victims, saviours and villains. Section II, for example, shows how victimhood rapidly shifted away from the individuals affected by the pandemic to be assumed the public finances. Moreover, solutions involving inclusive actions morphed rapidly into expenditure cuts and State downsizing.

The article draws on empirical sources of two types: official documents (mainly laws) and interviews. Each law consists of at least six documents of between 300 and 900 pages each, encompassing committee discussions, opinions, drafts and consultations with institutions. The official sources examined are summarized in table A1.1 in the annex.

II. COVID-19, ideas and social policy

This section firstly analyses the literature that highlights the importance of the role of ideas. Secondly, it defines a number of key variables, such as frames and narratives, and explains how to conceptualize their role in the public policy formation process. It then addresses the role played by narratives during the COVID-19 pandemic.

1. Ideas in public policy construction

As Swinkels (2020) explains, ideas are important power resources for defining reality at different levels of social activity. At the micro level, they give meaning to and guide people's actions; at the meso-level, they serve as tools that social actors use to craft discourses; and at the macro level, they make it possible to maintain some order in the joint actions of groups.

With respect to State action, the “interpretive turn” argues that public policy problems and solutions exist as such insofar as they are mediated by discursive constructions (Stone, 2012; Mehta, 2011; Fischer, 2003; Béland and Cox, 2010). Thus, public policy problems do not exist as objective realities independently of how they are defined and enter into public policy formation processes. How a problem is constructed can determine how —and even whether— a problem is considered a matter for public intervention (Stone, 2012; Edelman, 1985; Druckman, 2001). It is therefore worth making these ideas “objects of inquiry and meaningful categories” in their own right (Blyth, 2002, p. 17).

At present, when various analysts and policy actors argue that COVID-19 creates an opportunity to change development models and welfare regimes, they are referring largely to its influence on thinking about what is possible and desirable as regards the role of the State. These new ideas would, in turn, make it possible to trigger actions, not necessarily —nor only— discursive ones.

Nonetheless, studies of COVID-19 and its impact on political economy have actually paid little attention to ideas and narratives in specific contexts. Analysts and international organizations have demonstrated the emergence of new ideas about solidarity and the role of the State (ECLAC, 2021a and 2021b), providing powerful normative criteria whose viability is subject to political economy factors that require further analysis and research. However, studies on the determinants of political responses to the pandemic have paid little attention to the role played by ideas (for example, Blofield, Giambruno and Pribble, 2022).

2. Frames, narratives and public policy

To examine the role of ideas in the context of the pandemic as an opportunity, it is useful to analyse interpretive frameworks (Schön and Rein, 1995) and narratives (Stone, 2012). Interpretive frameworks establish parameters (French and others, 2017) or general assumptions (Schön and Rein, 1995; Entman, 1993), in this case to define issues that warrant government intervention. Such frameworks typically include, either explicitly or implicitly, notions of what is morally right (Entman, 1993; Stone, 2012). Narratives, in contrast, link problems to solutions and to actors who cause or solve problems (Stone, 2012). Thus, the same interpretive framework may encompass more than one narrative about how a public policy problem is constituted as such, and what should be done to solve it.

For Stone (2012, p. 158), “in politics, narrative stories are the principal means for defining and contesting policy problems. [...] Problem definitions are stories with a beginning, a middle, and an end, involving some change or transformation.” Accordingly, narratives are organized around structural elements: a setting (as a narrative construction of the policy-relevant context); characters (including

heroes, victims and villains); problems, harms, or difficulties; causes of the problem; responsibilities; and solutions (French and others, 2017; Burnstein and Bricher, 1997; Stone, 2012).

Narratives are produced by actors and are associated with power relations that communicate ideas, with varying degrees of success (Jessop, 2014; Harjuniemi and Ampuja, 2019). Different narratives contribute to the formation of discourse coalitions between State and non-State actors who share an interpretive framework (Hajer, 1993). These coalitions can agglomerate different actors —such as specialists, political parties, and social movements— around a common denominator (Hajer, 1993). For example, Mazzini Marcondes and Santos Farah (2022) identify discourse coalitions that promote care policies, either for reasons of principle (such as achieving gender equality), or else for instrumental reasons (such as increasing female employment).

A crisis can give rise to both new interpretive frameworks and new narratives within pre-existing interpretive frameworks (Snow and others, 1986). For example, in conjunction with concepts of social and preventive medicine, the influenza pandemic of 1918 produced a new interpretive framework through which epidemiology slowly began to replace eugenic ideas (McDonald, 2020). Later, by gaining traction beyond the actors that produced them, those ideas would become hegemonic (Gramsci, 1971).

3. Pandemic and austerity

At the onset of the COVID-19 pandemic, it was repeatedly stated that the world had an opportunity to reinterpret many social problems and their solutions. This view was expressed, for example, by António Guterres, Secretary-General of the United Nations, and also by Alicia Bárcena, then Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) (United Nations, 2020; ECLAC, 2020). The argument was that social and public policies needed to be revised to address not only the virus, but also future crises and socioeconomic shocks. There were frequent calls for new pacts that paid less attention to fiscal space —that is, the existing room for manoeuvre to respond to the population's demands, determined by the size of the fiscal deficit and the public debt— and relied more on expanding public revenues than on cutting expenditures.

The pandemic boosted ideas that run counter to the austerity narrative, according to which deficit reduction is a government priority to be achieved mainly by cutting public spending (Bramall, Gilbert and Meadway, 2016, p. 120). Protecting fiscal space is even framed as a moral issue, as a condition for maintaining the country's credibility or stability (Heller, 2005). In Latin America, any narrative that strengthens the role of the State in social affairs must confront the narrative of fiscal austerity (Oxfam, 2022).

Austerity is a “good ideology” since it is an intuitive idea to which many people can relate. In hard times, people “tighten their belts”, and the government should do the same. Moreover, from a conservative perspective, if the aim is to shrink government, it is politically more expedient to argue that the government is living above its means than to directly attack the poor (Jabko, 2013, p. 706). However, this is often a false ideology, or at least an incomplete one. It equates fiscal responsibility with shrinking the state, but seldom considers the possibility of increasing fiscal space by expanding the tax base through new progressive taxes. In societies that are highly unequal and severely affected by the pandemic, this second option is a necessary condition for long-term redistributive actions. In stark contrast, austerity measures repeatedly thwart the necessary redistribution of resources in unequal societies (Blyth, 2013).

Accordingly, any discussion of possibilities for a new post-pandemic social policy must take into account what is happening with ideas concerning austerity and, in particular, with the relationship between the actually and potentially available fiscal space and tax base.

III. Costa Rica viewed comparatively: a case study of narratives in the pandemic

In addition to physical distancing measures, the various Latin American governments implemented policies aimed at businesses and others targeting families. The latter included a combination of support for basic services, food and medicine deliveries and cash transfers, which jointly accounted for half of all measures (ECLAC, 2021a). In fact, with very few exceptions, all governments implemented at least one large-scale income transfer programme (Blofield, Giambruno and Pribble, 2021).

Costa Rica is an ideal case for studying whether the pandemic created opportunities for a narrative shift in favour of inclusive social policies. Firstly, it is a country with a legacy of universalist social policies based on the interaction between contributory and non-contributory programmes. Moreover, people have high expectations for the protection they receive from the State. In 2018, 85% of the population believed that the State should implement policies to reduce income inequality, which was 14 percentage points above the Latin American average (Maldonado and others, 2021).

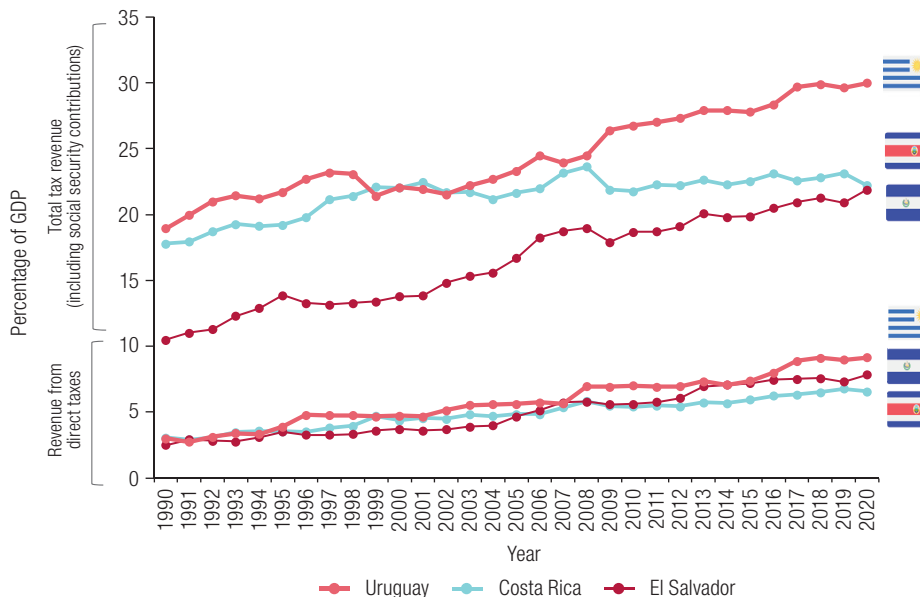
Secondly, prior to the pandemic, the country was a laggard in terms of social protection, at least partly as a result of the growing informality of employment among both national and immigrant workers (although the latter represented a very stable share of the labour force) (Voorend, Alvarado and Oviedo, 2021). In February 2020, nearly half of the country's labour force was informal and mostly outside the coverage of both contributory safety nets (because they did not contribute to social security) and non-contributory measures (because they were not in poverty). Following the outbreak of the pandemic, the informality rate remained high, and unemployment doubled from 12% to 24% between the first and second quarters of 2020 (INEC, 2022).

Thirdly, at the onset of the pandemic, Costa Rica had no fiscal space; but, in theory, it had considerable potential for expanding tax revenue. In early 2020, it displayed a large fiscal deficit, equivalent to 6% of GDP, and public debt representing 57% of GDP (IMF, 2021). Yet ECLAC data show that the country's tax-to-GDP ratio was 22% in that period, almost 12 percentage points lower than the average among members of the Organisation for Economic Co-operation and Development (OECD) and also below that of Uruguay. More importantly, the potential for increasing Costa Rica's tax revenue becomes even clearer when social contributions are excluded to focus on taxes (direct and indirect) exclusively. Direct taxes represent just 7% of GDP in Costa Rica —almost three percentage points less than in Uruguay and also a lower percentage than in the less wealthy country of El Salvador (see figure 1).

In terms of pandemic response, starting with the declaration of a state of emergency on 16 March 2020, the Legislative Assembly ordered the mandatory closure of establishments and the non-mandatory confinement of individuals (Martinez Franzoni and Sanchez-Ancochea, 2022). It also approved a broad package of measures targeting businesses and families. Measures aimed at businesses included payment moratoria on value added tax (VAT) and income tax, authorization to suspend or terminate contracts or reduce working hours on an expedited basis, and a reduction in the minimum social security contribution base (Robles and Nercesián, 2022).

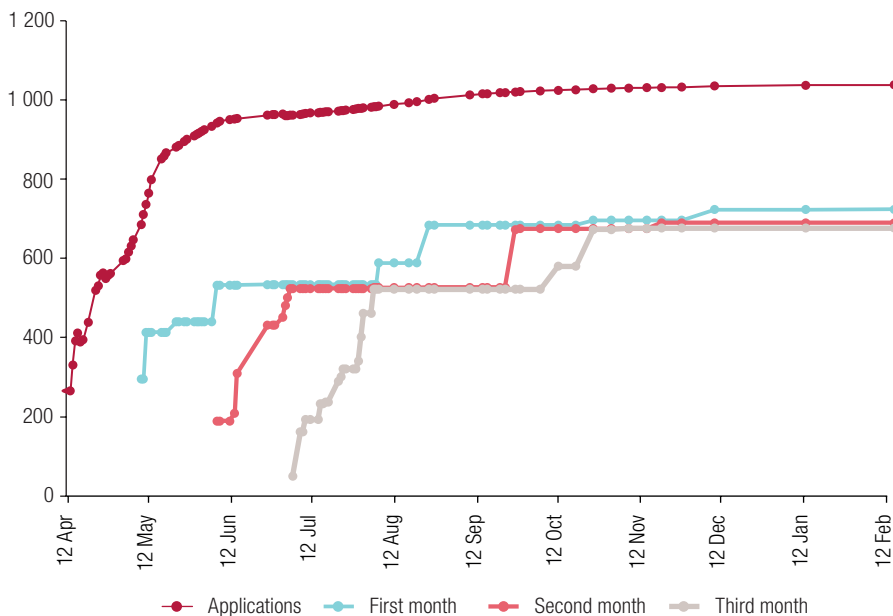
Measures targeting families included the transformation of school meals into food parcels delivered to families, and the possibility of drawing down unemployment assistance funds. However, the most important innovation in response to the pandemic was the creation of a cash transfer programme to compensate for sudden income loss, named *Bono Proteger*. This programme was announced on 19 March 2020, three days after the emergency was declared. It consisted of three disbursements of US\$ 107 or US\$ 214 that were paid between May and December to 700,000 of the 900,000 people who applied for them (see figure 2).

Figure 1
Costa Rica, El Salvador and Uruguay: tax burden, 1990–2020
(Percentage of GDP)



Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online] https://statistics.cepal.org/portal/cepalstat/dashboard.html?indicator_id=821&area_id=481&lang=en.

Figure 2
Bono Proteger: daily applications and transfers, April 2020 to March 2021
(Number in thousands)



Source: Ministry of Labour and Social Security (MTSS), “Datos estadísticos Plan Proteger”, 2020 [online] https://www.mtss.go.cr/elministerio/despacho/covid-19-mtss/plan_proteger/bono_proteger_datos.html [accessed on 10 May 2022].

Compared to its neighbours, Costa Rica's response in terms of emergency social spending was not particularly generous (see table 1). Nine countries (including neighbouring El Salvador, Guatemala and Honduras) spent more than Costa Rica on emergency social programmes in 2020 (ECLAC, 2021a). Some will argue that the scale of the response was governed by fiscal constraints —Costa Rica had the largest public-sector deficit in Latin America in 2019, for example. However, as noted above, it also had very low rates of direct and indirect tax collection: 15.5% of GDP, compared to 17.8% in Honduras, 18.2% in El Salvador, 18.5% in the Plurinational State of Bolivia and 23.2% in Argentina. It would therefore have been possible to respond to the crisis by attempting to construct a new discourse and develop a new tax policy. However, as described below, this never happened.

Table 1
Costa Rica in the Latin American context, 2019–2020
(Percentages of GDP)

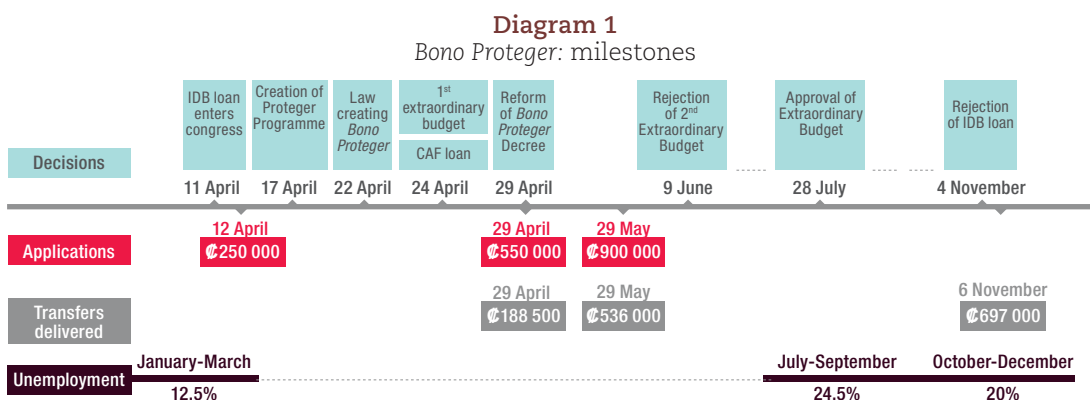
	General government tax revenue (2019)	Overall fiscal deficit (2019)	Central government fiscal deficit (2019)	Central government public debt (December 2019)	Emergency social spending (2020)
Argentina	23.2	-3.7	0.6	90.2	2.23
Bolivia (Plurinational State of)	18.5				2.83
Brazil	24.0	-5.7	-1.3	74.3	4.02
Chile	19.3	-2.9	-1.9	27.9	1.83
Colombia	17.1	-2.5	0.1	48.6	1.16
Costa Rica	15.5	-6.7	-2.7	58.5	1.27
Ecuador	14.6	-5.0	-1.9	47.8	0.13
El Salvador	18.2	-1.6	1.8	48.8	1.85
Guatemala	10.8	-2.2	-0.6	26.6	1.78
Honduras	17.8	-2.5	0.6	48.6	1.49
Mexico	14.1	-2.9	1.1	36.1	0.42
Nicaragua	19.2			42.3	
Panama	8.5	-4.1	-2.3	46.4	1.18
Paraguay	10.1	-2.8	-2.0	19.6	1.14
Peru	14.6	-1.4	-0.1	24.8	2.36
Dominican Republic	13.4	-2.3	0.4	39.6	1.70
Uruguay	19.5	-2.8	-0.4	49.0	0.14
Venezuela (Bolivarian Republic of)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), CEPALSTAT [online] <https://statistics.cepal.org/portal/cepalstat/dashboard.html?theme=2&lang=en> [accessed on 5 December 2022] (for general government tax revenue); ECLAC, *Fiscal Panorama of Latin America and the Caribbean, 2021* (LC/PUB.2021/5-P), Santiago, 2021, pp. 28 and 30 (for overall fiscal deficit, central government fiscal deficit and central government public debt); ECLAC, *Social Panorama of Latin America, 2020* (LC/PUB.2021/2-P/Rev.1), Santiago, 2021, pp. 184–188 (for emergency social spending).

Note: The figures shown do not include social security contributions.

IV. Evidence: narratives during the development of *Bono Proteger*

A peculiarity of the political process in Costa Rica was the need for several legislative approvals, depending on whether the measures in question involved loans or successive reallocations of the regular budget. Diagram 1 shows that the decision-making process expanded social protection in April, but this was followed by moments of impasse and restriction. It also shows the unemployment rate and the number of *Bono Proteger* applications, as indicators of the fact that social needs and the public policy narrative did not always converge.



Source: Prepared by the authors, on the basis of official information.

Legislative approval was required on a case-by-case basis, both for budget reallocations (54% of the total funds used for *Bono Proteger*) and also for additional funding (46%). Although this requirement was a constant throughout the period analysed, the rapid approval of the former contrasted with the conditionality and slowness of the latter. Moreover, from the outset, there was resistance to external loans that would have been used entirely to finance *Bono Proteger*. In fact, a US\$ 500 million loan from the Inter-American Development Bank (IDB) was in the legislative process between 9 April and 4 November, when it was finally rejected (Legislative Assembly, 2020a).

Table 2 contrasts two moments in 2020: a first moment (March–April) when measures to increase spending took centre stage; and a second (May–December) when the debate focused on the restrictions. The social impact of the pandemic was significant in both moments, as reflected in the level of unemployment, for example.

Table 2
Costa Rica: emergency cash transfers and timing of legislative approval of the key measures, 2020

Legislative sources	Entry in the Legislature	Time spent in the legislative process ^a
First moment (March–April)		
(i) Approval of the <i>Bono Proteger</i> legal framework	2 April	20 days
(ii) Reactivation and approval of a loan from Corporación Andina de Fomento (CAF) ^b		3 days
(iii) Approval of the first extraordinary budget of 2020	8 April	16 days
(iv) Draft Law: Progressive and Solidarity-based Fiscal Contingency in the COVID-19 National Emergency	26 March	--
Second period (May–December)		
(v) Rejection of the second extraordinary budget of 2020	1 June	10 days
(vi) Approval of the second extraordinary budget of 2020	13 July	15 days
(vii) Second extraordinary budget (consolidated rejection and approval)	1 June	1 month, 27 days
(viii) Draft Law: Tax Fairness in the COVID-19 Emergency	18 June	--
(ix) Loan No. 5050/OC-CR Inter-American Development Bank (IDB)	6 August	2 months, 29 days

Source: Prepared by the authors, on the basis of official information.

^a From entry in the Legislative Assembly to the approval or abandonment of the draft law.

^b Although the draft law had entered the Legislative Assembly in June 2019, its processing had been suspended in September 2019.

1. First moment: narratives of the expansion of state intervention

This moment is defined by two key events: (i) the creation of *Bono Proteger* (with new and inclusive eligibility criteria); and (ii) the securing of its initial funding. The government publicly launched the digital platform for receiving applications on 9 April; and it secured the funding to make transfers on a daily basis just 21 days later (MTSS/IMAS, 2020). During this period, a decree was issued and reformed, and two laws were passed. During this first moment of the pandemic, a new narrative emerged that recognized the lack of protection available to informal workers and the need for new instruments to include them —a discourse seldom heard previously in Costa Rica.

(a) April: Legal backing for *Bono Proteger*

On 9 April, the government announced the launch of the *Bono Proteger* programme (Legislative Assembly, 2020b). On the same day, the digital platform for receiving applications was launched and would soon process the largest volume of information for a social programme in Costa Rica's history. On 17 April, the government issued a decree formally establishing the programme (MTSS/MDHIS, 2020a); and between 18 and 21 April, it used funds from the National Commission for Risk Prevention and Emergency Management to make the first payments to 30,633 people (MTSS/IMAS, 2020). On 22 April, the Legislative Assembly adopted Law No. 9840, which gave the programme legal status (Legislative Assembly, 2020b).

Near-unanimous legislative support for the bill facilitated a rapid legislative process that took just 20 days from the time it was introduced in the Legislative Assembly to its adoption on second reading (see table 2). The motion, and the general tone of the legislative debate, revealed a climate of national unity: it reflected the idea of “everyone in the same boat” that underlies the opportunity narrative. When the bill came up for a vote in plenary, all other items on the agenda were postponed to allow it to pass.² Moreover, during the debate, positions were either omitted or else submitted mostly in writing, in order to speed up the process (Legislative Assembly, 2020c).

This same cross-party support was reflected in the statements made by lawmakers from Restauración Nacional, the party most ideologically distant from the government. One of its deputies voted in favour of creating *Bono Proteger*, “in the hope of helping the many families that had lost income owing to the effects of COVID-19” and noted that deputies and members of the government had joined forces, reached consensus, and drafted a legal text that took account of recommendations from several experts and the concerns of different sectors (Legislative Assembly, 2020c, p. 70).

The problem was defined as thousands of people rendered jobless or without income, victims of the COVID-19 pandemic. The solution was to guarantee an income to cover the estimated cost of a basic food basket for a three-person household. The programme made it possible to reach the wage-earning population, and also informal and self-employed workers provided they could document an income loss related directly to the pandemic. This innovative response was based on a criterion other than poverty for access to non-contributory programmes; and it created a narrative concerning the beneficiary population that could have been extended through time.

Nonetheless, even then the narrative on financing was less ambitious and did not make significant innovations. It is true that a special source of funding was used (the difference between the expected and actual price of fuels); but this was not permanent and did not bring the importance of progressive redistribution to the table.

² The motion was tabled on 13 April 2020 and approved by the 43 deputies present.

Lastly, and despite consensus on the virtues of the programme, a critical narrative was already appearing at this juncture. In two justifications of the vote cast in the second debate, opposition voices argued that the government should avoid making electoral use of the benefit. Concerns about the use of the funds led the legislature to tighten controls (Legislative Assembly, 2020b, articles 4 and 5). One of the only two deputies to oppose the bill alluded to the government's "fiscal voracity", an argument that would become commonplace in the ensuing weeks and months (Legislative Assembly, 2020d, p. 40).

(b) April: initial funding for *Bono Proteger*

The first extraordinary budget passed through Congress in just 16 days (see table 2), being adopted on 24 April. The government started executing the funds four days later, and had made nearly 198,000 transfers by 8 May (MTSS/IMAS, 2020). Considering only persons who had completed the procedures and were ready to receive the subsidy, 223,036 people were still waiting for the transfer (MTSS/IMAS, 2020). The adoption of measures to reallocate resources from the regular budget was swift and accompanied by a terse narrative, although afterwards criticisms were made of the government and its use of public funds.

The approach of the executive branch made heroes of the three powers of State, which coordinated a huge effort to redirect current expenditures towards the emergency measures, specifically the budget reallocations necessary to implement *Bono Proteger* (Ministry of the Office of the President, 2020). This reallocation would make it possible to fund the temporary support measures implemented by the Joint Institute for Social Aid (IMAS) and the Ministry of Labour and Social Security (MTSS), without neglecting the public finances. International loans were considered as a second financing option, but this possibility was limited by the already high level of Ecuador's debt-to-GDP ratio.³ At the time, the government was unwilling to use the crisis to go further increasing revenue, by proposing far-reaching measures to expand the tax base. Although some members of the social office (*gabinete social*) would have been sympathetic to this option, the guidelines of the economic sector of the office prevailed.

For the opposition, even at that time and despite the clearly urgent situation, the most important thing was to keep the public finances in balance, by introducing reforms to address the underlying problem: inefficiency and the costly state apparatus. Concerns were also expressed about the political use made of the transfers and the lack of resources to finance the Costa Rican Social Insurance Fund (CCSS).⁴

Accordingly, the opposition linked the provision of funding to address the emergency with greater expenditure restraint. The argument of the most critical lawmakers was that the (unproductive) State was being financed by the productive private sector. If the State needed downsizing before the crisis, the paralysis of the productive sector made it even more necessary to cut spending. In this context, tax solidarity is presented in a negative light, as a way of feeding a predatory and inefficient State, while the cuts are defined as insufficient and incomplete.

Thus, the opposition vilified the government for confronting the pandemic without public expenditure cuts, without clearly supporting the productive sector and without a comprehensive vision of the problem (Legislative Assembly, 2020e, p. 12). This narrative contrasted with the government's business support measures mentioned in section III.

³ M. del P. Garrido Gonzalo, Minister of National Planning and Economic Policy, personal interview, 6 October 2021, and E. Villegas, Minister de Finance, personal interview, 27 September 2021.

⁴ The change in the opposition's discourse may have responded partly to the 57 percentage point increase in the President's popularity, which rose from 19% in November 2019 to 76% in May 2020 (Pignataro, 2021). Significantly, however, criticism of the government adopted a discourse based mainly on austerity.

Nonetheless, despite the conflicting narratives described above, both the government and the opposition concurred in emphasizing expenditure cuts rather than expanding the tax base. The difference in criteria thus had more to do with the feasibility of further cuts than with the urgency of making them. This was evident, for example, in the position adopted by female legislators from the Citizen Action Party (PAC) in the Finance Committee. Most lawmakers at that time recognized the importance of the transfers; so their public expenditure stance did not involve questioning the adoption of the first extraordinary budget, as it would do a few weeks later with the second one.

The left-wing Frente Amplio party diverged from the rest of the opposition by proposing temporary progressive and solidarity-based measures to strengthen the public finances in the short term to meet the social needs generated by the current national emergency (Legislative Assembly, 2020f, p. 2). The Frente Amplio was the only political party to propose taxes on large taxpayers' profits, dividends and corporate-owned estates, as well as on high salaries and pensions. However, its proposals found little echo in the media and public debate.

2. Turning point: presidential narrative of austerity

It is now useful to consider the discourse of the President of the Republic himself, in order to understand what the government was thinking in the first few months of the pandemic. In the May 2020 work report, President Carlos Alvarado stated that, just as steps had been taken to protect health and life and to protect the people affected by the measures to attenuate the contagion curve, actions were now needed to protect the stability of the economy and boost its recovery (Legislative Assembly, 2020g, p. 16). Protection and fiscal stability went hand in hand.

The main problem was fiscal: the President explained how, before the pandemic, revenues were more robust and current spending lower, because the government had tightened its belt, thereby reducing the primary deficit to protect the country (Legislative Assembly, 2020g, p. 9). This statement proves that President Alvarado never abandoned the mindset of austerity and spending limits. In his speech, he explained how reducing the fiscal impact of the pandemic would require public expenditure austerity to continue belt tightening wisely (Legislative Assembly, 2020g, p. 17).

In his speech, the President referred to *Bono Proteger* as a hero in the solution of social problems, because it showed that eliminating extreme poverty in Costa Rica was technically possible (Legislative Assembly, 2020g, p. 9). Even at that time, however, the President considered tax revenues as immutable; and he expressed his regret, as President, that the country currently did not have the fiscal space to achieve this; but there would be no excuse for failing to do so in the near future, once it had climbed out of the hole caused by the pandemic. He considered the same was true for informality (Legislative Assembly, 2020g, p. 7).

At that time, reaching the additional 400,000+ people who were estimated as the *Bono Proteger* target population depended on other funds that Congress had not yet secured. In terms of financing the programme, the President reaffirmed the importance of an austerity approach. He praised the ability of the Ministry of Finance to redirect resources, as reflected in a budget that only contained expenditure cuts (affecting universities, municipalities and development associations, for example) to provide funding for cash transfers, health services and education. Taken together, President Alvarado's statements show that the political-electoral dynamic was not centre-stage; because if it had been, he would have tried to blame the political opposition, which had majority representation in Congress, for not approving additional spending. Instead, he reinforced an austerity narrative that was once again becoming dominant.

3. Second moment: narratives of constraint on State action

As from June the discourse opportunity created by the pandemic vanishes almost completely, and the language of austerity, focused exclusively on the expenditure side, clearly predominates. This moment is also defined by two main events: the initial rejection of the second extraordinary budget (9 June) and its adoption five weeks later (9 July). The following paragraphs reconstruct the two moments and show that the main difference between them was the scale of the current expenditure cuts that the government offered in exchange for authorization to reassign funds.

(a) June: a brake on funding for *Bono Proteger*

In June, the sense of urgency had diminished to the point where the austerity narrative now started to affect support for *Bono Proteger* for the first time. The Minister of National Planning and Economic Policy noted that the narrative that the government needed to cut expenditure to respond to the pandemic had taken hold.⁵ The conversation started to revolve almost exclusively around the macroeconomic fiscal problem, with scant reference to increasing the tax base as a way to solve the problem. The initial rejection of the second extraordinary budget was based on the same arguments that had been propagated since the first extraordinary budget: the need for further expenditure cuts.⁶ Despite the fact that some 350,000 people were still waiting for the first transfer, the majority in Congress acted as if there was no pressure for a rapid solution. Whereas the first extraordinary budget took only 16 days to complete the legislative process, the second required two versions and took nearly two months.

The various ministers who appeared in the Legislative Assembly transmitted nuanced opinions as to the desirability of increasing funding for *Bono Proteger*, and on whether the country was facing primarily an economic crisis (with a significant fiscal dimension) or a social crisis (with fiscal implications). Citizen movements reinforced the austerity narrative by blocking streets and protesting against any tax increase.⁷ The economic elite pushed a very similar view. In May 2022, the Costa Rican Union of Private Enterprise Chambers and Associations (UCCAEP) demanded structural adjustments from the government, including the rationalization of public expenditure (Robles, Alvarenga and Fuchs, 2022).

The problem, both in the Legislative Assembly and in the street, was defined as purely fiscal. By this time, the public finances had claimed the mantle of victim, and the need for income among the people targeted by *Bono Proteger* no longer featured in the debate. Most of the opposition vilified the government for not making real cuts. According to a deputy from the National Liberation Party (PLN), the government continued to spend as if there was no pandemic and there had been no reduction in revenues (Legislative Assembly, 2020h, p. 689). This statement was echoed by legislators from the other congressional groups in their justification for voting against the second extraordinary budget (Legislative Assembly, 2020h, p. 689).

The left-wing opposition also saw the government as the villain, albeit for different reasons: they criticized its decision not to use the escape clause provided for in the Law for the Strengthening of Public Finances in the event of economic recession. Although the Ministry of Finance had promised to do so, in the end it never took the decision. The left accused the government of negligence by mismanaging and closing services; what was needed was an investment plan to promote economic growth.

⁵ M. del P. Garrido Gonzalo, Minister of National Planning and Economic Policy, personal interview, 6 October 2021.

⁶ J. L. Bermúdez, Minister of Human Development and Social Inclusion and Executive President of IMAS, personal interview, 22 April 2021.

⁷ I. Treminio, Researcher, University of Costa Rica, personal interview, 28 April 2021, and J. Vargas Cullell, Political Scientist, personal interview, 16 August 2021.

The solution proposed by the majority of the opposition was a fiscal consolidation plan and an extraordinary budget that would signal that the government must tighten its belt. In other words, cut spending, as a PLN deputy explained (Legislative Assembly, 2020h, p. 689). An explicit request was made to the government to take steps to reduce spending and make it more efficient, and to approve and discuss the extraordinary budget when it contains a genuine cut in expenditure (Legislative Assembly, 2020h, p. 698). There was talk of mismanagement of *Bono Proteger* funds and even crimes (Legislative Assembly, 2020h, p. 713); and there were calls for reform of the State and the sale of assets (Legislative Assembly, 2020h, p. 697). Other parties spoke of the need to correct inefficiencies and take steps to achieve real cuts, all of which was very much in line with the sense of responsibility associated with austerity.

(b) July: support for *Bono Proteger* funding in exchange for greater austerity

By June, the discrepancies between the government and opposition narratives had deepened. Both agreed on the need for austerity; but they disagreed on the extent of it. The opposition eventually approved the extraordinary budget, arguing that it did so owing to the number of people unemployed and affected by the pandemic, rather than because the government had made the necessary budget cuts. The government, for its part, argued that the greatest success of the new budget was that it asked for half a billion colones less than the amount that would have been needed previously (about ₡ 900 million) (Legislative Assembly, 2020h, p. 679).

The imperative need to promote austerity measures prevailed over the convenience of expanding government action. The president of the central bank said that once the impact of the cycle on revenues had been controlled for, the response was contractionary; so the fiscal deficit had widened because of the economic contraction, not because of the public response.⁸ Both State and non-State actors continued to claim a lack of fiscal space. The urgency of working within a given fiscal space that could not be expanded through increased tax revenue was very clear in the authors' conversations with senior officials, including those most directly involved with the emergency social programmes.⁹

However, the Cabinet did try to increase available resources through external borrowing, specifically in the form of a loan from the Inter-American Development Bank (IDB). This loan, amounting to US\$ 249 million, in addition to US\$ 20 million in non-reimbursable cooperation funding, would have made it possible to deliver transfers to 100,000 informal workers as new *Bono Proteger* beneficiaries. At the same time, 65% of the funds would be used as budget support to finance current expenditures. The Legislative Assembly rejected the loan, considering that it deceived the public and that it was using *Bono Proteger* as a front for financing current expenditures (Legislative Assembly, 2020a).

At this time, the influence of discourses on government inefficiency in Costa Rica was clear to see. In particular, an audit on the use of *Bono Proteger* funds, published in December 2020 by the Comptroller-General's Office (CGR), undermined the prestige of the programme and was widely used by the political opposition (CGR, 2020). The Comptroller-General's Office concluded that the programme's achievements had been the basic ones that were to be expected from a cash transfer, although the programme had shortcomings that reduced its efficiency and effectiveness since weaknesses had been detected, such as possible leakages, erroneous payment and incorrect benefit amounts; non-receipt of benefits by eligible recipients and unjustified discontinuation of benefits (CGR, 2020, p. 27, point 3.1). Surprisingly, the evaluation did not acknowledge the programme's success in terms of its speed of implementation and capacity to protect populations in dire need.

⁸ R. Cubero, President of the Central Bank of Costa Rica, personal interview, 17 September 2021.

⁹ J. L. Bermúdez, Minister of Human Development and Social Inclusion and Executive President of IMAS, personal interview, 22 April 2021, and G. Dinarte, Minister of the Office of the President and former Minister of Labour and Social Security, 12 May 2021.

As at the time of rapid response, a proposal was made to expand the tax base, but it did not succeed. In this case, the proposal was made by a deputy of the ruling PAC, who would very soon leave the party. This proposal aimed to use fiscal policy mechanisms to tax persons with robust income and economic capacities; so as to distribute the burden of the economic recession and contribute to Costa Rica's security and social stability (Legislative Assembly, 2020i, p. 2). The proposal included taxes on individuals and corporations of a kind that would have moved the country from a vision of expenditure austerity to one of opportunity to expand spaces in response to a severe social crisis. However, this proposal was not accepted among the political class or the media.

V. Stylized analysis of narratives

The foregoing analysis shows that the pandemic undoubtedly created significant opportunities, at least initially, centred on recognizing the need to broaden eligibility criteria and raise the profile of informal workers as subjects of rights. A narrative of opportunity and learning was also developed: in his May report, the President stated that implementation of *Bono Proteger* showed that, if the country set its mind to it, it would be possible to eradicate poverty once the fiscal constraint was overcome.

The adoption of the programme and the expansionist narrative was made possible largely by the high level of uncertainty that prevailed initially. Nonetheless, this quickly diminished, with the result that the initial opportunities faded away and the prevalence of the austerity narrative was restored. Very soon, the commitment to draw attention to the lack of protection for informal and self-employed workers was eclipsed by narratives that equated fiscal responsibility exclusively with expenditure cuts.

Table 3 summarizes the findings presented, according to the main narratives and interpretive frameworks.

Table 3
Costa Rica: emergency cash transfers, main narratives and interpretive frameworks, 2020

Narratives	Problem	Villain (cause of the problem)	Solution	Interpretative framework	
Discourse coalition	1 - Government, heads of social institutions	Liquidity to care for people affected by income loss	Coronavirus disease pandemic (COVID-19) (social problem)	Minimum income through the <i>Bono Proteger</i> ; use of current expenditure cuts encouraged	Fiscal space is confined to expenditure management; the tax base is given
	2 - Government, economic sector managers	Liquidity for emergency care with expenditure restraint	Demand for resources generated by the COVID-19 pandemic	Minimum income through <i>Bono Proteger</i> , with containment of more permanent current expenditure	
3 - Majority opposition	Delicate fiscal situation	Government that does not adjust (political problem)	Minimum income through <i>Bono Proteger</i> , provided that there was a sufficient permanent reduction in spending.		
4 - Left-wing opposition	Lack of tax solidarity to deal with the emergency	Government and majority opposition shift the costs of the emergency on to the working majority	Temporary solidarity-based tax measures	Revenues and expenditures are constantly distinguishable; the tax base is expandable	

Source: Prepared by the authors.

The fiscal constraint was the interpretive framework that focused on just one way to address the budget constraint. It grouped together three distinct narratives, as summarized in stylized form below. The first and second reflect cabinet positions, while the third and fourth summarize majority and minority positions in the legislature, respectively.

1. Narrative 1 - Within the cabinet

The authorities in the social sector and a member of the economic team believed that it would have been desirable to expand emergency State intervention. However, this was impossible due to the macroeconomic guidelines set within the government itself. It was argued that all possibilities for additional funding had been exhausted, and that conditions no longer existed to continue with *Bono Proteger*, either inside or outside the government. A framework of “maximum efficiency” within a given tax base was accepted, not necessarily because it was liked, but for reasons of political feasibility.

The immediate post-pandemic period implied by this vision involves continuing with measures that do not require new funds (such as the adoption of non-monetary measures to support employability).

2. Narrative 2 - Within the cabinet

In the economic sphere of the government, the problem with the intervention may have been its excessive generosity. It was argued that it was impossible to increase spending owing to the lack of legislative agreement. For this group, the fiscal problem marshalled the approach to the social response. The idea conveyed by some interviewees was that resources should have been spread more widely to achieve a higher return; the failure to do so detracted from the viability of the programme. The notion of operating with the means available is deeply rooted in these actors, without the possibility of increasing taxes being considered even for a moment.

The post-pandemic period that emerges from this vision for social policy involves focusing on pre-pandemic measures of expenditure restraint.

Narratives 1 and 2 formed a discourse coalition. In other words, actors with different visions of the State came together and acted in the same direction, not so much —or not only— because of their coordination, but because they operated under the same set of assumptions. Albeit for different reasons, in both cases the prevailing idea was that the government should not —or could not— consider expanding revenues; instead it had to become more efficient. This point of view is at odds with the idea of the crisis as a transformative opportunity, specifically involving tax increases that would make it possible to expand revenue and, thus, gain additional fiscal space.

3. Narrative 3 - Majority legislative opposition

The view of most of the opposition was that the crisis aggravated an already fragile fiscal situation and demonstrated the need to reduce public spending (containment was insufficient). It was therefore unrealistic to consider imposing higher taxes on a private sector that was absorbing the entire impact of the crisis. The tax base in this case appears as a given.

This third narrative differed from the previous two by identifying the government as the villain. Nonetheless, the three narratives shared a common interpretive framework: austerity should be the guiding principle of public policy, even during the pandemic.

Taken together, narratives 1, 2 and 3 make austerity a “catch-all”. Austerity functioned as an interpretive framework, organizing discussion on the different instruments and measures, even in the midst of the crisis triggered by COVID-19. With the tax base seen as indistinct from the fiscal space, the fiscal crisis ordered the remaining priorities.

4. Narrative 4 - Minority legislative opposition

Outside of this interpretive framework, another which considered the tax base as a variable operated with relatively marginal importance. Two lawmakers (a woman and a man), along with a number of civil society voices, proposed considering tax revenue as a variable. This was expressed in draft laws and in proposals discussed in the media, albeit with little impact. In the authors' opinion, this dual narrative (the need for a response supported by additional taxes on the rich) was the real window of opportunity —not only in Costa Rica, but in many other countries too.

VI. Conclusions and implications of the case

Visualizing the pandemic as an opportunity means recovering the role of the State as guarantor of rights and reducer of inequalities. Implicitly or explicitly, the response to the crisis makes it possible to recover the role of the State and propose a more inclusive social policy, financed by a tax increase that reflects a broad social compact (United Nations, 2020; ECLAC, 2020).

In the case of Costa Rica, the pandemic created a very valuable opportunity: to include informal work within social protection. In a country in which social policy has oscillated for decades between contributory programmes and anti-poverty measures, and where informal workers already represented 46% of the workforce before the pandemic, *Bono Proteger* opened the door to a more inclusive narrative that could have driven broader reforms. The opportunity was short-lived, however, as the austerity discourse soon regained its pre-eminence.

Guaranteeing fiscal responsibility without sacrificing the necessary social spending, in a high-debt situation, necessarily means expanding the political space to create new progressive taxes. However, in Costa Rica during the period studied, no attempt was made to construct this new political space, owing to the dominance of an austerity narrative that included a critical attitude toward the public sector, among other things. The factors explaining this deserve greater attention, beyond the scope of this article, including consideration of the role of elites in the dominant macroeconomic vision, for example (Robles, Alvarenga and Fuchs, 2022).

While each experience is undoubtedly different, the findings of a case study such as this are an invitation to consider certain overlooked variables when examining the pandemic as an opportunity. This analysis has demonstrated the importance of contextualizing opportunities and examining the role of ideas, particularly the continuing influence of the austerity narrative centred on expenditure cuts. This interpretive framework has two distinct components: the cost of fiscal irresponsibility and the refusal to consider tax hikes.

It is difficult to imagine a new horizon for more inclusive public policy in Central America (and other regions of the Global South) without a profound redefinition of macroeconomic policies and the discourse surrounding the State. Moreover, any macroeconomic rethinking requires “unravelling the thread”: in other words, firstly, separate the fiscal space clearly and simply from the tax base; and, secondly, specify the conditions for expanding tax revenue through progressive mechanisms. Although this is a difficult task, it is more urgent than ever, given the internal and external challenges facing the region.

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Annex A1

Table A1.1
Costa Rica: emergency cash transfers, legislative sources analysed

Source	Number of process or law	Date of adoption
(i) Executive Decree creating the Proteger Programme	Executive Decree No. 42305 - MTSS-MDHIS	17 April 2020
(ii) Amendments to the Executive Decree creating the Proteger Programme	Executive Decree No. 42329 - MTSS-MDHIS	29 April 2020
(iii) Law on the protection of working people during the COVID-19 disease emergency	Law No. 9840 (Legislative Process No. 21909)	22 April 2020
(iv) Approval of the loan agreement between the Republic of Costa Rica and Corporación Andina de Fomento to finance the Public Finance Strengthening Support Programme	Legislative Decree No. 9833 (Legislative Process No. 21449)	24 March 2020
(v) First Extraordinary Budget of the Republic for Fiscal Year (FY) 2020 and reform of the Law of the Ordinary and Extraordinary Budget of the Republic for FY 2020	Law No. 9841 (Legislative Process No. 21918)	24 April 2020
(vi) Draft Law on progressive and solidarity fiscal contingency during the COVID-19 national emergency	File No. 21883	Not applicable
(vii) Constitutional Message from the President of the Republic of Costa Rica	Not applicable	4 May 2020
(viii) Second Extraordinary Budget of the Republic for FY 2020 and second legislative amendment to Law No. 9791, Law of the Ordinary and Extraordinary Budget of the Republic for FY 2020	Legislative Process No. 22008	9 June 2020 (negative majority opinion)
(ix) Second Extraordinary Budget of the Republic for FY 2020 second legislative amendment to the Law of the Ordinary and Extraordinary Budget of the Republic for FY 2020	Law No. 9879 (Process No. 22080)	28 July 2020
(x) Approval of Loan Agreement No. 5050/OC-CR between the Republic of Costa Rica and the Inter-American Development Bank (IDB) to finance the programme to protect the jobs and income of vulnerable populations affected by coronavirus in Costa Rica	Process No. 22132	4 November 2020 (negative majority opinion)
(xi) Draft Law on tax fairness during the COVID-19 emergency	Process No. 22034	Not applicable

Source: Prepared by the authors, on the basis of official information.